

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6801

BILL NUMBER: SB 419

DATE PREPARED: Jan 15, 2001

BILL AMENDED:

SUBJECT: Fees for Inmate Telephone Calls.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Indiana Utility Regulatory Commission to establish rates to be charged to persons who receive collect telephone calls from inmates of the Department of Correction or of local law enforcement agencies. This bill specifies that the rate must be equal to 50% of the rate for collect telephone calls made from a pay telephone. The bill provides for the disposition of the money paid by the utility to the Department of Correction or to the local law enforcement agency.

Effective Date: July 1, 2001.

Explanation of State Expenditures: This proposal will require the IURC to establish rates to be charged to persons who receive calls from Indiana inmates confined in facilities operated by either the Department of Correction (DOC) or by local law enforcement agencies. This additional rate setting authority could increase the IURC's administrative costs. Additional costs are expected to be absorbed using existing staff and resources.

Under current law, the Department of Administration is responsible for administrating and soliciting contracts to set the rates on calls made from payphones located in state facilities. The State currently has a contract for InterLATA, Interstate and Intrastate long distance service with AT&T for public and inmate payphones. There are currently 1676 payphones in service under contract with AT&T; approximately 900 of these phones are located at DOC locations. The remaining phones are located at state parks and office buildings. The impact of this proposal on the Department's administrative expenses is expected to be minimal.

Explanation of State Revenues: The impact of this bill on state revenue will be determined by rates established by the IURC on collect calls made from DOC inmates. **It is likely that state revenue will be reduced substantially.** During the current biennium, as authorized by P.L. 273-1999, revenue collected on long distance calls made by inmates is deposited into the Pay Phone Fund. Revenue from local calls is

deposited into the Inmates' Recreation Fund. This bill would require that the DOC deposit all revenue received from inmates' calls would be deposited into the Inmates' Recreation Fund. The bill will decrease the revenue deposited into the Pay Phone Fund.

Background Information: Currently, the Department of Administration contracts with several telephone companies to provide telephone service to offenders in DOC facilities. Under this arrangement, offenders must make collect telephone calls to persons outside of prison that they wish to call. Depending on the arrangement with the telephone carrier, the state receives a commission of either the gross or net revenue that is collected by using these telephones.

The Department of Administration contracts with at least three major providers of telephone services for offenders in DOC facilities. GTE and Ameritech provide local calls, while AT&T provides long distance calls. Commissions received from GTE and Ameritech are deposited in the Offender Recreation Fund which is used in DOC facilities, while the commissions received from AT&T are deposited in the Pay Phone Fund. The added revenue to the Offender Recreation Fund is not currently available; however, the Department of Administration estimates the following revenues have been collected from DOC facilities and deposited into the Pay Phone Fund:

Pay Phone Fund Receipts from	
FY	DOC Facilities
1998	\$5,500,775
1999	\$5,809,008
2000	\$5,978,222

Revenues from this fund have been used to finance projects that will improve the telecommunications and computer capabilities of the state government.

IURC Funding: The Indiana Utility Regulatory Commission and the Office of the Utility Consumer Counselor are funded by public utilities through the Public Utility Fund. At the end of the fiscal year, if the total public utility fees in the Public Utility Fund plus the unspent balance of the Fund exceeds the total appropriations for the IURC and the OUCC (plus a \$250,0000 contingency fund), then the IURC must compute each utility's share of the excess. This share is then deducted from any subsequent payment of the utility's public utility fees. In FY 2000, public utility fines and fees generated \$8,053,986.

Explanation of Local Expenditures:

Explanation of Local Revenues: County sheriffs contract with telephone companies to provide telephone services to inmates in their jails. Under these arrangements, the sheriffs receive a percentage of either gross or net revenue that ranges between 22% and 44% for gross revenue and generally 50% for net revenue.

In the case of 62 counties where information was available, the commissions that these sheriffs receive from the contracts range from \$8,700 to \$2.3 M on an annualized basis. Of these 62 counties, the total annual revenue received is estimated at \$5.7 M.

Currently local policy dictates the use of these funds. Some counties use these funds to purchase law enforcement equipment, others use the funds for inmate services, and at least one county deposits the revenue into its county general fund. This bill will require that the commissions received on phone calls be deposited

into a county's Jail Commissary Fund or a fund dedicated to providing direct benefits to individuals who are inmates of the local law enforcement agency. While this bill will likely reduce the revenue county sheriffs receive from pay phone commissions, the change in the distribution of these funds is not expected to impact most counties.

State Agencies Affected: Department of Administration; IURC; Department of Correction.

Local Agencies Affected: County Sheriffs.

Information Sources: Department of Administration, County Sheriffs.